

Service Date: October 15, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application of       )  
MONTANA-DAKOTA UTILITIES CO., INC.,       ) UTILITY DIVISION  
A Division of MDU RESOURCES GROUP,       )  
Inc., for Authority to Alter the Im-       ) DOCKET NO. 86.9.53  
plementation of the Settlement Agree-       )  
ment Approved in Docket No. 84.9.60.       ) ORDER NO. 5231

FINAL RATE ORDER

FINDINGS OF FACT

1. On October 1, 1984, Montana-Dakota Utilities Company (MDU, Company, or Applicant), Montana Consumer Counsel (MCC), and the Commission entered into a stipulated settlement agreement (Settlement) in Docket No. 84.9.60. The Settlement called for final approval of the rates as applied for in Docket No. 83.10.74 and final approval of the rates applied for in Docket No. 84.5.21, as modified by the Settlement itself. The Settlement required MDU to file its fall application to implement the semiannual gas tracking adjustment on or before October 22, 1984, such adjustment containing only the current gas cost adjustment per the Settlement. The Settlement called for final approval of the rates as applied for in that fall filing. Accordingly, MDU filed its fall tracker in Docket No. 84.10.67 on October 22, 1984.

2. A hearing was held on these matters in Billings, Montana, on November 14, 1984. A hearing was also held in Docket No. 83.10.74 on January 27, 1984, in Miles City, Montana.

3. On March 11, 1985, pursuant to the terms of the Settlement, the Commission, in Order No. 5102a, approved the rates as applied for by MDU in Docket Nos. 83.10.74, 84.5.21 (as modified by the Settlement), and 84.10.67.

4. In granting final approval to the proper rates in the three tracker dockets, the Commission, in Order No. 5102a, gave final approval of the Settlement in Docket No. 84.9.60.

5. The Settlement provided, inter alia, a two-year amortization of the unreflected gas costs of \$11,141,055. Paragraph 2(b)(2) of the Settlement established a special two-year rate surcharge to amortize gas costs which had accrued under the provisions of the gas cost tracking adjustment. The effective period of the special surcharge was to be October 1, 1984, through September 30, 1986. Paragraph 3 of the Settlement provided that any portion of those gas costs which were not fully amortized as of September 30, 1986, would be placed in the regular deferred account established by the gas cost tracking adjustment and amortized pursuant to the standard provisions regarding the amortization of such account balances.

6. The current special surcharge computed pursuant to the Settlement is 40.8 cents per Mcf for industrial customers and 37.5 cents per Mcf for residential and commercial customers.

7. On September 29, 1986, MDU filed with the Commission a request to alter the implementation of the Settlement approved and authorized in Docket No. 84.9.60. MDU stated that the purpose of the proposed change in implementation of the Settlement agreement is to stabilize rates and to avoid unnecessarily loading up

deferred gas costs in the upcoming winter heating season. MDU further stated that approval of this request will result in preservation of the status quo as the rates currently in effect will remain in effect until changed by the gas cost tracking adjustment. In the Company's application, attorney John Alke also stated, "I have been authorized by the Montana Consumer Counsel to advise you that his office has no objection to this application."

8. In its application, MDU said that because of declining sales volumes, the special rate surcharge will have failed to amortize approximately \$1.8 million in gas costs as of September 30, 1986. MDU stated, "Pursuant to Paragraph 3 of the settlement agreement those unamortized gas costs will be included in the regular deferred gas cost account and amortized pursuant to the provisions of the gas cost tracking adjustment in the semiannual gas cost tracking application to be filed by Montana-Dakota this fall and to be effective during the 1986-1987 winter heating season." (MDU Application, p. 3, paragraph IX)

9. MDU surmised, however, that if the special rate surcharge is left in place until the next gas cost tracking adjustment is implemented, the impact on the deferred account will be diminished, and the unit cost of gas will be reduced during the 1986-1987 winter heating season. MDU concluded that an implementation plan which leaves the special rate surcharge in place until the next gas cost tracking adjustment is implemented will avoid that unnecessary increase in the unit cost of gas in the 1986-1987 winter heating season. (MDU Application, p. 3, paragraphs X and XI)

10. The Commission agrees with MDU that the two-year amortization should be extended beyond the September 30, 1986, deadline called for in the Settlement. The advantages of continuing the surcharge are that rate stability should be achieved while the unamortized balance will be reduced considerably, if not eliminated, which is very desirable from a rate making standpoint. Based on the above reasons and the fact that MCC has no objection to this application of MDU, the Commission finds MDU's application in this Docket to be proper.

11. The Commission finds that the .special rate surcharge will remain in effect until the next gas cost tracking adjustment is implemented or until the special unreflected gas cost account (\$11,141,055 at the time of the execution of the Agreement is fully amortized. Also, pursuant to the Agreement, the amount remaining in the special unreflected account as of October 1, 1986, will not accrue any carrying charges. This restriction will apply during the continuation of the special rate surcharge beginning October 1, 1986, and to any unamortized balance that may exist at the time of the discontinuance of the special rate surcharge.

#### CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, is a corporation providing natural gas service within the State of Montana and, as such, is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations

pursuant to MCA Section 69-3-102 and Title 69, Chapter 3, Part 3, MCA.

3. The Commission has provided adequate notice of all proceedings and opportunity to be heard to all interested parties in this Docket. MCA, Title 2, Chapter 4.

4. The rate level and rate structure approved herein are just, reasonable, and not unjustly discriminatory. MCA, Section 69-3-330.

ORDER

1. Applicant, Montana-Dakota Utilities Company, shall continue the special rate surcharge pursuant to and in conformance with the Findings of Fact in this Order.

DONE AND DATED this 14th day of October, 1986, by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

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JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell  
Acting Secretary  
(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must

be filed within ten (10) days. See 38.2.4806, ARM.